



ADJUSTMENTS TO THE PUBLIC EDUCATION BASE BUDGET

EXECUTIVE APPROPRIATIONS COMMITTEE
STAFF: BEN LEISHMAN AND EMILY WILLIS

ISSUE BRIEF

SUMMARY

In November, Utah voters passed Constitutional Amendment G, expanding the potential uses of revenue from taxes on income and intangible property. Approval of this amendment triggers certain statutory provisions passed by the Legislature in House Bill 357, “Public Education Funding Stabilization” (2020 General Session) and House Bill 5011, “WPU Value Increase Guarantee” (2020 5th Special Session). The following sections highlight the impact of these new statutory provisions.

Legislative Action

Statute requires the Executive Appropriations Committee to make certain budget determinations each December based on recommendations developed by the Legislative Fiscal Analyst (Analyst) in consultation with the State Board of Education and the Governor’s Office of Management and Budget. The statute also provides that the determinations made by the committee be included in the annual base budget bill for Public Education. The Analyst has prepared six recommendations for the committee to review as it considers these budget actions.

RECOMMENDATIONS

Enrollment Growth Adjustment

The Legislature shall annually estimate the state cost of adjusting programmatic funding levels for student enrollment growth in the next fiscal year for certain programs identified in statute. These programs contain all programs historically adjusted for enrollment growth each year by the Legislature.

In Fall 2020, Utah’s public schools enrolled 666,609 students, 8,696 fewer than projected last fall. We project a total statewide enrollment of 673,854 students in Fall 2021, this is an increase of 7,245 over Fall 2020 actual enrollment but 1,451 students lower than the original projection for the 2020-2021 school year. This means that these 1,451 students were funded ongoing beginning in Fall 2020 even though they did not enroll in the public education system. Despite lower enrollments, due to certain hold-harmless provisions in statute for declining enrollments and other statutory growth formulas, the state cost for enrollment growth is anticipated to increase by approximately \$28.0 million. The traditional enrollment growth adjustment also includes a one-time amount for the Educator Salary Adjustment program in the current year, we estimate this amount at \$5.4 million one-time.

- **Recommendation 1**

Approve the allocation of approximately \$28.0 million ongoing in FY 2022 and \$5.4 million one-time in FY 2021 to implement estimated enrollment growth adjustments in the Public Education base budget.

Due to statutory hold harmless provisions, funding for school districts and charter schools is based on “Prior-year Average Daily Membership Plus Growth”. Funding for local education agencies (LEAs) that lost enrollment in Fall 2020 (FY 2021), largely due to coronavirus impacts, were funded based on their FY 2020 Average Daily Membership. This cost the state the full ongoing appropriation for FY 2021 made during the 2020 General Session, plus an additional \$21.5 million nonlapsing balances.

Depending on enrollment trends in Fall 2021 (FY 2022), LEAs that enrolled additional students in Fall 2020 because of coronavirus may see these students return next fall. This may cause a similar shift and necessitate additional funding under the prior-year plus growth provisions.

- **Recommendation 2**

Allocate \$21.5 million one-time in both FY 2021 and FY 2022 (total of \$43.0 million one-time) to pay for these one-time impacts associated with the prior-year plus growth provision. Further, direct the Chairs of Executive

Appropriations to work with staff to develop intent language to direct the State Board of Education on the use of these one-time sources.

As a final note, LEAs that lost a significant number of students in Fall 2020, may experience a significant shift in funding if those students do not return in Fall 2021. In these cases, the prior-year plus growth provisions will not provide additional funding in FY 2022.

Inflation Adjustment

House Bill 357 further directs the Legislature to provide an annual inflationary adjustment to Weighted Pupil Units (WPU) and certain categorical programs in the Minimum School Program. This adjustment is best implemented in an increase to the WPU Value. The bill directs that this inflationary adjustment be based on a rolling five-year average as recommended by the Legislative Fiscal Analyst and approved by the Executive Appropriations Committee.

- **Recommendation 3**

We recommend that the Legislature adopt the same inflation factor used in determining the annual allocation from the Trust Distribution Account to fund the School LAND Trust program. UCA 53F-9-201 directs that this adjustment be based on the “Consumer Price Index for All Urban Consumers: All Items Less Food & Energy, as published by the Bureau of Labor Statistics of the United States Department of Labor.” Further, we recommend using the rate as of September of the current year (2020) and the previous four years to develop the rolling average.

This calculation produces an inflationary factor for FY 2022 of 1.82 percent.

- **Recommendation 4**

Approve the allocation of approximately \$62.0 million ongoing to implement the inflationary factor for FY 2022 in the Public Education base budget. This will result in an increase to the WPU Value of approximately 1.82 percent.

Public Education Economic Stabilization Restricted Account

The final component of House Bill 357 is the creation of the Public Education Economic Stabilization Restricted Account in the Uniform School Fund. This account is funded with 15 percent of ongoing new revenue growth in the Education Fund and Uniform School Fund, and any other appropriations the Legislature may designate.

- **Recommendation 5**

Based on current revenue estimates for FY 2022, the Analyst recommends that the committee approve the allocation of approximately \$127.0 million ongoing to fund the restricted account in the Public Education base budget.

WPU Value Increase Guarantee

House Bill 5011 directs the Legislature to dedicate an amount “greater than or equal to 10%” of ongoing new revenue growth in the Education Fund and Uniform School Fund as determined by the Legislative Fiscal Analyst to increase the WPU Value each year. This guarantee continues until the total amount dedicated reaches \$140.5 million. Like the other provisions, this adjustment occurs in the base budget.

- **Recommendation 6**

Based on current revenue estimates for FY 2022, the Analyst recommends that the committee approve the allocation of approximately \$85.0 million ongoing to fund the WPU Value Increase Guarantee in the Public Education Base Budget. This represents an increase in the WPU Value of approximately 2.43 percent.